

FISCAL NOTE

HB 200 - SB 1072

April 14, 2003

SUMMARY OF BILL:

- Requires the Department of Health to create a Rx Card program, a pharmaceutical assistance program to provide discounts to members. Discounts would become effective January 1, 2004
- Any state resident would be eligible for the Rx Card program, unless eligible for the state's Medicaid program or covered by an insurance policy with drug benefits.
- The Department of Health is to negotiate discount prices or rebates with prescription drug manufacturers and labelers. The manufacturers could voluntarily elect to negotiate supplemental rebates for Medicaid above those required by federal law, as well as discount prices for the Rx Card program and discount prices or rebates for any other state program that pays for prescription drugs.
- All manufacturers and labelers of drugs participating in the TennCare medical assistance program would be required to participate in the drug rebate program or the Department would review whether to place a manufacturer's product on the state Medicaid prior authorization list.
- The Department would use rebate funds to contract with drug wholesalers and participating pharmacies to provide discounted prices to Rx Card participants. The commissioner would calculate discount drug prices on a quarterly basis by subtracting administrative costs from the average negotiated rebate.
- The department would pay wholesalers and retail pharmacies in advance for discounts or reimburse them on a weekly basis. Discrepancies or disagreements can be settled by an agreed upon independent auditor.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures - Exceeds \$2,000,000/Administrative Cost
Exceeds \$198,000,000/Drug Discounts**

Increase State Revenues - Exceeds \$200,000,000/Drug Rebates

Estimate assumes:

- The number of Tennessee citizens choosing to utilize the Rx program cannot be determined but is estimated to exceed 500,000.
- The Department of Health will contract with a Pharmaceutical Benefits Manager to collect rebates and reimburse pharmacies. The Department will require additional staff to administer the program. The amount of administrative cost cannot be determined but is estimated to exceed \$2,000,000.
- Any revenue from rebates remaining after administrative expenses will be used to pay pharmacies for discounts.

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- The amount of rebates from manufacturers and labelers cannot be determined but is estimated to exceed \$200,000,000. The TennCare program currently receives rebates of approximately 19%. Based upon average cost and drug usage in the TennCare program annual rebates per individual would be approximately \$405.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James A. Davenport". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

James A. Davenport, Executive Director